

April 11, 2017

**Subject:** Affordable Housing and Sustainable Communities (AHSC) Program

**Reporting Period:** February 2017-April 2017

**Staff Lead:** AHSC Program Staff

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## **Recommended Action:**

For information and discussion only – no action required.

## **Background:**

The Affordable Housing and Sustainable Communities (AHSC) Program provides grants and loans for capital projects, including affordable housing development and transportation improvements that encourage walking, bicycling, and transit use resulting in fewer passenger vehicle miles travelled (VMT). Reduction of VMT in these projects will achieve greenhouse gas (GHG) emissions reductions and benefit Disadvantaged Communities.

## **Update:**

AHSC Program Staff across the Strategic Growth Council (SGC), Department of Housing and Community Development (HCD), and Air Resources Board (ARB) released the 2016-2017 Draft AHSC Program Guidelines, as well as the 2016-2017 Draft AHSC GHG Quantification Methodology on March 8, 2017. The drafts incorporate feedback obtained through public comments and workshops held in late 2016. The drafts address concerns and recommendations from statewide AHSC stakeholders, as well as from an internal review of process and outcomes from the past two AHSC funding cycles. The most significant changes to the draft guidelines include:

- Organization and Streamlining of Guidelines – The Draft Guidelines reflect a restructuring of the guidelines document, including the reorganization and simplification of descriptive details. This is an effort to make the AHSC Program Guidelines easier to read and understand, avoid redundancy, and clearly articulate criteria and expectations. Through this process, the document has been shortened by over 20 pages.
- Moving Select Scoring Criteria to Threshold – In the last round of AHSC, there were a number of project elements for which the majority of applicants received maximum points, meaning that those elements did not help differentiate applicants from one another. In order to address this issue, this iteration has set several project elements—such as urban greening components, and certain aspects of housing affordability—as required thresholds rather than scored criteria. All applicants will now be required to incorporate those elements into their project.
- Revised Application Process – The Concept Proposal portion of the application has been eliminated. In its place is a thorough checklist for applicants to verify threshold attainment and application competitiveness, as well as the opportunity to have an optional one-on-one consultation with AHSC Program Staff to determine eligibility and

general observations regarding competitiveness. Combined with increased clarity in the guidelines document, AHSC Program Staff hope to remove the administrative burden that AHSC applicants previously felt in completing two lengthy applications.

- Revised Scoring Criteria – In an effort to provide clarity around AHSC application evaluation, we have divided the scoring criteria into three distinct sections:
  - Greenhouse Gas (GHG) Reduction Scoring - 30 points: Similar to last year, projects will be assessed both on their overall GHG reduction and the cost efficiency of those reductions. Details on quantifying GHG reduction are included in the Draft Guidelines in the GHG Quantification Methodology (QM).
  - Quantitative Policy Scoring – 50 points: This section includes a variety of AHSC policy objectives, framing these goals in more precise, quantified measures and requiring applicants to submit concrete evidence to receive relevant points. This change should provide applicants with a clearer understanding of what elements will garner points.
  - Narrative-Based Policy Scoring – 20 points: This section allows the applicant to demonstrate their unique approach to meeting critical AHSC program goals. Some key documentation will be required to help make a case.
- Indian Tribes as Eligible Applicants – Through a year-long internal and stakeholder process, we have amended the guidelines to include federally recognized Indian Tribes as eligible AHSC award recipients.
- Costs Associated with Parking are Ineligible for AHSC Funds – As signaled in previous versions of the guidelines, costs associated with vehicle and motorcycle parking are no longer eligible to receive funds from AHSC. Note that this does not establish any parking requirements for AHSC projects, but simply prohibits the use of AHSC funds for constructing parking. Electric vehicle charging infrastructure is exempt from this requirement and remains eligible to be funded by AHSC.
- Housing Element Compliance – AHSC projects will now have to demonstrate that their local jurisdiction has a Housing Element in compliance. Applicants and jurisdictions have until the date of AHSC award recommendations to attain compliance.
- Environmental Clearance Requirements for Transportation Components – For Sustainable Transportation Infrastructure (STI) and Transportation Related Amenities (TRAs), applicants now only have to demonstrate environmental clearance for these components by the time of grant disbursement. This change better reflects timing differences between housing and transportation projects as they relate to environmental clearances.
- Joint and Several Liability – Joint applicants of an AHSC project will still be required to be jointly and severally liable for the project. As an additional collaboration option, we have allowed applicants to demonstrate developer experience for Sustainable Transportation Infrastructure (STI) and Transportation Related Amenities (TRA) via executed contracts with a Locality or Transportation Agency. In addition, although collaboration is still highly encouraged, joint applications are no longer incentivized through scoring criteria.

There are several other changes beyond the above items. A detailed list of changes is included in the “Summary of Changes” document which accompanies the AHSC draft guidelines document and is posted to the SGC website (<http://sgc.ca.gov/Grant-Programs/AHSC-Guidelines.html>).

#### Draft Guidelines Outreach and Input

AHSC Program Staff conducted workshops regarding these draft guidelines on April 6<sup>th</sup> (Sacramento and via streaming video), April 7<sup>th</sup> (San Jose), and April 10<sup>th</sup> (Los Angeles). The webcast from the April 6 meeting is available on the SGC website. The workshops provided an overview of the proposed guideline changes and a Q&A session with program staff. SGC is accepting written and email comments on the draft guidelines until April 14, 2017.

#### Potential Options for Geographic Funding

One remaining policy question which requires Council discussion is the question of regional funding distribution goals. Based on Council Direction from the October 2016 Council meeting, AHSC Staff has compiled options for Council discussion. The following funding distributions would apply to all scored and ranked applications that pass the threshold review phase:

- **Option 1:** Council continues to be mindful of statewide funding distribution in project selection decisions without specific goals for regions. After the TOD (35% of funds), ICP (35% of funds), and RIPA (10% of funds) targets are met with the highest scoring projects in each Project Area receiving an award, Council has the discretion to make funding decisions based on geographic equity and disadvantaged communities with the funds remaining (20%) funds. This is the current approach used by the Council.
- **Option 2:** Council would consider regional population based (using 2010 Census Population Data) funding goals for the AHSC 16-17 Funds. After the TOD (35% of funds), ICP (35% of funds), and RIPA (10% of funds) targets are met with the highest scoring projects in each Project Area receiving an award, the remaining discretionary funds (20%) would be allocated to help regions meet funding goals based on one of the following population splits:
  - **Option 2A:** North/South 40%/60% Split
  - **Option 2B:** 7 Mega Regions- Based on ARB’s Vision 2.0 Mega Regions
    - Bay Area, Los Angeles (South Coast Air Basin), Southern California, San Diego, Sacramento, San Joaquin Valley, Other

The proposed **Option 2A** (North/South split) and **Option 2B** (7 Mega Regions) are illustrated in **Exhibit 1** on the following page.

AHSC Staff will also be convening Metropolitan Planning Organizations (MPOs) across the state over the coming months to discuss their role in review of 2016-17 AHSC Applications.

The final 2016-2017 AHSC Program Guidelines are expected to be considered for adoption at the June 1<sup>st</sup> 2017 Strategic Growth Council meeting.

## Exhibit 1: AHSC Regional Funding Goals Concept Map

